FOREIGN AGRICULTURE

Combines in Canadian wheat field

- East Europe's Soya Trade
- Barley Markets Strong

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In this issue:

This week's cover:

Two combines sweep through a field of swathed wheat on the rolling plains near Calgary in the Canadian province of Alberta. World grain production in 1976/77 season reflects a bumper year with few exceptions. See article, page 7. Combines in Canadian wheat field.

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Changes in the Making For East Europe's Soya Trade

EASTERN Europe—heretofore one of the fastest growing markets for U.S. soybeans and meal—probably boosted its 1976 imports of soybean meal some 6 percent over 1975's, but took more from Brazil than in the past. This gain by Brazil in a market still dominated by the United States threatens to continue during the next few years.

The near future also could bring greater buying of soybeans vis-a-vis soybean meal and continued heavy transshipment trade as an adjunct to direct imports of oilseeds and meals.

These are the conclusions of Miles Lambert, an economist with the Foreign Demand and Competition Division of USDA's Economic Research Service, who recently completed an in-depth study of Eastern Europe's oilseed trade in order to establish a data base. Much of the study was devoted to analyzing transshipments of soybean meal to and within Eastern Europe in an effort to determine the region's total imports of U.S. soybeans and soybean meal, compared with those from competitors such as Brazil.

An increasingly stiff U.S. competitor on the world soybean market, Brazil through 1974 had made its gains in Eastern Europe largely at the expense of soybean meal from Western Europe. That region imports large quantities of soybeans for crushing and then re-exports some of the meal and/or oil.

Lambert estimates that the United States supplied 51 percent of the region's 1974 imports of 3,038,000 metric tons of soybean meal and soybeans (meal equivalent), compared with 41 percent in 1971. Brazil likewise boosted its share—to 28 percent from 17—while Western Europe's share fell to 20 percent from 41. (Market shares for 1975 and 1976 are not yet available. Lambert's methodology involves comparison of all importers' and exporters' data, in order to perceive transshipment flows. This entails waiting until all data are in for a given year.)

Brazil accounted for over half the total gain in combined U.S.-Brazilian sales to Eastern Europe between 1973 and 1974, whereas in 1973 the United States had all of the increase. Lambert views the 1973 situation as unusual and believes Brazil will be an increasingly competitive supplier of the East European market. He points out that Brazil already has a firm foothold in Poland as a result of an agreement to ship Poland 300,000 tons of soybean meal and 150,000 tons of soybeans a year between 1976 and 1980.

Also, data on U.S.-Brazilian-West German direct shipments of soybean meal to Eastern Europe show the U.S. share falling to 30 percent in 1975 from 38 in 1974; and Brazil's gaining to 56 percent from 33.

Through the first 7 months of 1976, the United States held 43 percent of direct exports of 1.44 million tons of soybean meal to Eastern Europe, compared with 48 percent for Brazil.

". . . Brazil through 1974 had made its gains in Eastern Europe largely at the expense of soybean meal from Western Europe."

Lambert projects East European soybean meal imports in 1976 at 2.72 million tons for a 6 percent gain from the 1975 estimate. However, this is still under the 2.79 million tons imported in 1974, when fears of shortages of world meal supplies for export prompted heavy buying by several East European countries.

The 1975 import of 2.57 million tons, which includes transshipments, represents the first cutback in East European soybean meal imports in the 1970's. But, with nations there still working to expand livestock output, Lambert foresees further expansion in the region's soybean meal imports.

During 1976, the level of soybean meal buying probably held steady in Czechoslovakia and East Germany, at 350,000 and 700,000 tons, respectively.

Polish soybean meal imports in 1976 are estimated at 590,000 tons—10 percent above those in 1975. Poland's $48 million line of CCC credit for soybean meal and its agreement to import 300,000 tons of Brazilian soybean meal con-

tributed significantly to the gain.

In Hungary, a 17 percent drop in hog numbers and lowered profitability of hog production led to a reduction of perhaps 6 percent from 1975's soybean meal imports of 394,000 tons. The country also had an excellent 1975 corn crop, which further reduced the import need.

All the Balkan countries, on the other hand, purchased more soybean meal in 1976 than in 1975.

In Romania, the combination of increased poultry numbers and a reduced soybean crop set the stage for an import gain of about 12 percent to 300,000 tons.

In Bulgaria, gains in hog and poultry numbers suggest a 6 percent jump in 1976 soybean meal imports to 185,000 tons. (Through the first half of 1976, about 80,000 tons had come from Brazil and none from the United States, but in July Bulgarian officials reported 30,000 tons from the United States.)

In Yugoslavia, imports may have gained by more than 60 percent to around 225,000 tons. Through the first half of 1976, in fact, the country had imported 108,000 tons of oilseed meal —more than two-thirds of total 1975 imports and two-thirds above those in the same period of 1975. The increase came as a result of stock rebuilding, a small 1975 sunflower crop, and high optimism about meat export opportunities—despite a 15 percent drop in hog numbers and an excellent corn crop.

Lambert also looks for expansion in East European imports of soybeans beginning in 1976.

For one thing, the Polish-Brazilian trade agreement for imports of 150,000 tons of soybeans annually will tend to strengthen soybean trade.

In addition, several East European nations are boosting their oilseed crushing capacity to handle anticipated increases in domestic output. This expansion—which is especially strong in Yugoslavia, Romania, and Bulgaria—appears destined to far outpace growth in domestic production of soybeans and other oilseeds. (U.S. soybean exports to the three nations totaled 236,000 tons in January-October 1976, far above direct shipments in any previous year.) As a result, the nations may find themselves with excess crushing capacity.

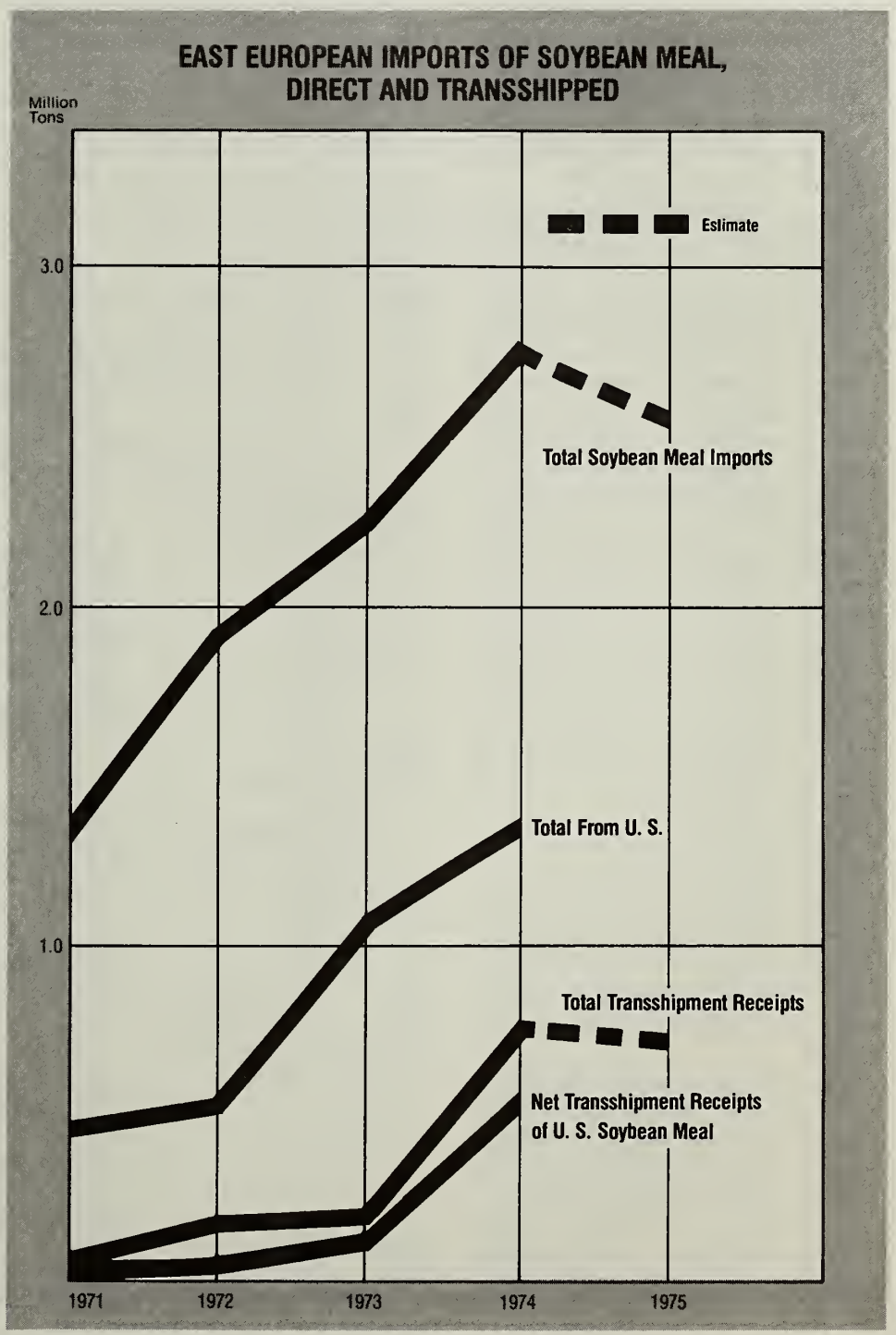
In Romania, in fact, soybean area may not surpass, or even return to, the record 1974 level of 239,000 hectares. Lambert says that in 1975 Romania shifted some 100,000 hectares from soybeans to corn, "clearly demonstrating the priority placed on corn production in times of price ratios favoring grain."

It is possible that Romania would press soybean production at the expense of its corn production goals. However, he sees a greater likelihood that Romania will tend to stress corn over soybeans "until the world soybean/corn price ratio widens or until yields are improved and new land is brought into production as planned."

Rising availability of soybean crushing facilities—and underuse of existing oilseed crushing facilities—already is evident in January-October 1976 trade figures, which show U.S. exports to Romania of 220,000 tons of soybeans, compared with 20,000 in all of 1975 and none in 1971.

Lambert says that similar forces are at work in Yugoslavia, where "new soybean crushing capacity and a shift of some idled sunflower crushing capacity should influence greater purchases of soybeans than would otherwise be the case."

Bulgaria's soybean crushing program



is less advanced, with most facilities "still on the drawing board." However, a 330,000-ton plant is to be built sometime in the next 5 years and demand for soybeans should be strong since "Bulgaria has the most rapidly expanding mixed feed industry in the region."

In working up his trade estimates, Lambert took an in-depth look at transshipment trade to and among East European countries. He found that transshipments of soybean meal soared from 76,000 tons in 1971 to 769,000 in 1974, while their share of total East European imports rose from 6 percent to 28 percent. The United States was the prime gainer in this trade shift, as 71 percent of the 1974 transshipments are estimated to have originated here, compared with 37 percent in 1971. Brazil's share of this trade, in turn, fell from 50 percent to 26, and Western Europe's from 13 percent to 3.

Lambert attributes the expansion in part to increased purchasing by landlocked countries such as Hungary and Czechoslovakia, whose net receipts of transshipments rose from 64,000 tons in 1971 to 280,000 in 1974. He also feels that together with other demands on the transport and storage system "oilseed meal import needs have outpaced the ability of the regional transport system to handle direct shipments."

Although his data beyond 1974 are incomplete, Lambert believes that this growth in transshipment trade continued through 1976. However, he thinks that, because of developments in transportation facilities, the trade in the future may include reduced transshipments from outside Eastern Europe but increased transshipments within the region. (See the August 25, 1975, issue of *Foreign Agriculture*.)

Each country of Eastern Europe takes on a different role in this trade.

Poland and the German Democratic Republic (GDR) are large recipients of transshipments from Western Europe—mainly West Germany and the Netherlands—and ship small amounts to one another.

Yugoslavia is a sizable transshipper to Hungary and Czechoslovakia—a role Lambert sees "verified by substantial Hungarian and Czechoslovak interest and investment in Yugoslav ports."

Czechoslovakia both receives sizable transshipments from West Germany and transships to GDR with 25-33 percent of its oilseed meal trade moving in this way.

Bulgaria and Romania receive some transshipments through Western Europe. However, they do little transshipping themselves because of the great distance of their Black Sea ports from other East European areas plus generally inadequate transportation systems.

Lambert also divides the East European nations into three groups according to their purchasing tendencies—fairly constant imports, fluctuating but ever-increasing imports, and widely fluctuating imports.

The GDR and Czechoslovakia fall into the first category since they produce fairly constant rapeseed crops, are grain importers, and already have high levels of oilseed usage. As a result, they have the ability to vary the protein meal-grain ratio in feeds. This puts them in a position to cut oilseed meal usage "when their feed supplies are low and when world oilseed meal prices rise excessively relative to grain."

Romania and Poland fall into the second group. Because of conflicting interests—a desire to expand protein meal usage, maintain sunflowerseed oil exports, and increase corn production—and its erratic production of oilseeds and grain, Romania "cannot respond adequately to world prices when it comes to area allocation." Romania thus must make "continually greater purchases of soybean meal." Similarly, a feed deficit and desire to expand meat output keep Poland's imports of oilseed meal rising. Rather undependable rapeseed crops have also reduced Poland's import options.

The widely fluctuating purchasers—Bulgaria, Hungary, and Yugoslavia—"showed especially sharp reactions in 1974/75, buying high in 1974 and low in 1975." All three have either unsubstantial or erratic domestic oilseed meal production and seem to be guided by a "fear of being caught short" should prices rise excessively. Lambert says that this insecurity is reflected in their 1974 decision "to buy reserve stocks to carry into 1975 and concentrate on corn production."

EAST EUROPEAN IMPORTS OF OILSEED MEAL, SOYBEAN MEAL, AND SOYBEANS AND SOYBEAN MEAL COMBINED, 1971-74, ESTIMATE FOR 1975, AND FORECAST FOR 1976
[In 1,000 metric tons]

Item	1971	1972	1973	1974	1975[1]	1976[2]
BY DESTINATION						
Oilseed cake and meal:						
Eastern Europe:						
Bulgaria	137	179	170	302	240	245
Czechoslovakia	365	501	630	591	540	530
German Dem. Rep.	637	834	769	829	820	825
Hungary	368	377	376	577	505	475
Poland	316	543	719	794	948	980
Romania	[1]57	[1]117	[1]218	[1]230	275	305
Yugoslavia	188	150	201	273	150	240
Total	2,067	2,101	3,084	3,596	3,478	3,600
Soybean meal:						
Eastern Europe:						
Bulgaria	62	88	99	228	175	185
Czechoslovakia	235	313	427	395	350	350
German Dem. Rep.	449	725	692	718	700	700
Hungary	244	261	306	464	394	375
Poland	119	279	325	499	539	590
Romania	51	117	215	226	268	300
Yugoslavia	121	144	186	258	140	255
Total	1,331	1,927	2,251	2,790	2,566	2,725
BY SOURCE						
Soybean meal and soybeans as meal equivalent:[3]						
United States	655	625	1,218	1,545	([4])	([4])
Brazil	260	566	406	847	([4])	([4])
West Europe	655	912	801	603	([4])	([4])
PRC	16	16	0	33	([4])	([4])
Total[5]	1,586	2,121	2,424	3,038	([4])	([4])

[1] Estimate. [2] Forecast. [3] Column totals may not add because of rounding. [4] The large transshipment receipts beginning in 1974 make estimates of market shares very difficult pending receipts of all importers' and exporters' data. [5] Romanian soybean shipments to Yugoslavia in 1974 have been included in the total but have not been listed separately because of the very small amount involved.

Large 1976 Barley Crops Find Ready Export Markets

By PETER BUZZANELL
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Foreign Agricultural Service

DESPITE this year's projected record world barley crop of 172 million metric tons, there is remarkable strength in the market for this grain.

Mainly because of this year's barley crop shortfalls in Western and Eastern Europe—the two major barley importing regions—barley prices currently are running significantly higher than prices for Soft Red Winter wheat, c.i.f. Rotterdam.

The 1976 world barley crop is estimated to be 27 million tons higher than the 1975 crop and about 7 percent above the previous record, set in 1974.

This year's upturn is largely accounted for by the bumper crop—almost double the 1975 outturn—in the Soviet Union, estimated at a record 65 million tons.

The Soviet crop has benefited from excellent growing conditions, and record yields are expected from the 33.5 million hectares planted—an area 1 million hectares larger than 1975's and about 40 percent of the 1976 total world barley area.

Barley output in Europe during 1976 is about 4.2 million tons below last year's disappointing crop and 6.4 million tons less than 1974's relatively normal harvest.

With world trade in barley averaging only 12-14 million tons, the trade impact of the shortfall in the European crop is important, as European countries normally account for about two-thirds of world barley trade.

The Soviet Union, normally a minor barley trader, appears to be taking advantage of high world barley prices by exporting part of its huge 1976 crop to East European countries and possibly to some Western European countries as well.

Total Soviet barley exports during 1976 are projected to reach 3 million tons in contrast to the trade situation in 1975, when the USSR imported a record volume of barley to compensate for its disastrously low domestic harvest.

A key factor in this season's export estimate is that supplies from the Soviet Union's 1976 crop are located mainly in the European USSR area, relatively accessible to countries affected by the 1976 drought and thus in need of imports to make up at least a part of their crop shortfalls.

Canada and Australia also are expected to have abundant supplies of barley for export during 1976/77. Canada, the third largest producer (after the USSR and the People's Republic of China), anticipates an excellent crop of about 10.3 million tons, up about 800,000 tons from the 1975 outturn and the largest since the record 1972 crop of 11.3 million tons.

Because of the good crop and anticipated strong export demand, Canadian exports are expected to reach about 4 million tons, or about a third of total world exports for 1976/77, with Western Europe and Japan the major markets.

Australia's barley crop is estimated at 2.7 million tons, down 16 percent from

Continued on page 11

WORLD BARLEY: SUPPLY-DISAPPEARANCE, 1974/75-1976/77

Country	Harvested area	Production	Imports	Exports	Total consumption	Ending stocks
	(Mil. ha.)	*(Mil. tons)*	*(Mil. tons)*	*(Mil. tons)*	*(Mil. tons)*	*(Mil. tons)*
USSR:						
1974-75	31.1	54.2	0.5	0.5	54.2	4.0
1975-76	32.5	35.8	2.9	—	40.8	2.0
1976-77	33.5	65.0	.5	3.0	61.5	3.0
Western Europe:						
1974-75	13.9	46.8	5.3	5.0	46.1	3.6
1975-76	14.4	44.9	5.5	6.0	45.5	2.7
1976-77	14.1	41.3	7.3	2.6	45.7	2.7
Eastern Europe:						
1974-75	4.4	15.0	1.9	.2	16.5	.4
1975-76	4.8	14.7	1.9	.2	16.6	.2
1976-77	4.5	13.7	2.8	.1	16.4	.2
Canada:						
1974-75	4.8	8.8	.1	2.7	6.4	4.1
1975-76	4.5	9.5	.1	4.2	6.7	2.7
1976-77	4.4	10.4	.1	4.0	6.4	2.7
United States:						
1974-75	3.3	6.6	.4	.9	7.4	2.0
1975-76	3.5	8.3	.3	.5	7.4	2.8
1976-77	3.4	7.7	.3	.9	7.3	2.6
Australia:						
1974-75	1.8	2.5	—	1.7	.9	.2
1975-76	2.3	3.2	—	2.0	.9	.2
1976-77	2.3	3.0	—	1.9	1.0	.3
China, People's Republic of:						
1974-75	6.4	9.7	—	—	9.7	(1)
1975-76	6.5	9.9	—	—	9.9	(1)
1976-77	6.5	9.9	—	—	9.9	(1)
India:						
1974-75	2.7	2.4	—	—	2.4	.3
1975-76	2.9	3.2	—	—	3.1	.4
1976-77	2.9	3.3	—	—	3.0	.7
Japan:						
1974-75	.1	.2	1.5	—	1.6	.5
1975-76	.1	.2	1.6	—	1.7	.7
1976-77	.1	.2	1.6	—	1.8	.8
Others:						
1974-75	12.8	13.7	2.1	.1	15.8	.6
1975-76	13.1	15.0	1.7	.1	15.6	.9
1976-77	13.4	16.4	1.2	.6	17.3	.8
Total world:						
1974-75	81.3	159.9	11.8	11.1	161.0	15.7
1975-76	84.6	144.7	14.0	13.0	148.2	12.6
1976-77	85.1	170.9	13.8	13.1	170.3	13.8

[1] Not available.

Dutch Focus on U.S. To Meet Potato Needs

THE SECOND consecutive year of short potato crops and rising prices has forced the Netherlands, normally a net potato exporter, to shop the world market for increased imports, most of which are expected to come from the United States during 1976/77.

Responding to domestic needs and a heavy demand for Dutch potatoes resulting from shortages throughout Western Europe, the Netherlands had reportedly contracted for 75,000 metric tons of U.S. potatoes by September 1976. Estimates of total potato imports from the United States during the 1976/77 marketing year (October-September), range from 200,000 to 300,000 tons, with most being larger-size potatoes needed by the Dutch french-fries industry. These U.S. exports have been subjected to strict Dutch phytosanitary standards (see box) requiring that the potatoes be field inspected during the growing season and free of ring rot. The United States exported almost 34,000 tons of fresh potatoes to the Netherlands during 1975/76.

(The U.S. 1976 crop harvested from 556,290 hectares totaled 16.0 million metric tons—a new record, 10 percent more than last year's crop and 3 percent above the previous record set in 1974. The 1976 fall crop, estimated at 13.7 million metric tons, is also a new record, 10 percent more than last year's and 5 percent above the previous record, set in 1974.)

(U.S. stocks of potatoes for all uses held in storage by growers, local dealers, and processors in the fall-production areas totaled 9.0 million metric tons on December 1,1976—8 percent above the 8.3 million tons on hand a year earlier and 6 percent more than in 1974.)

Total Dutch potato imports have shown similar sharp gains, with the 1976/77 projection of about 300,000 tons—more than 10 times the 1962-64 figures. Potato imports jumped from 95,000 tons in 1974/75 to an estimated 125,000 tons in 1975/76.

This expanding market opportunity follows the uptrend of U.S. potoato exports to Western Europe, that began after short European potato crops in 1975. U.S. fresh potato sales to Europe were nearly 191,500 tons in 1975/76, or 40 percent of total sales.

Dutch potato production continued its downward trend through 1976, ending with a crop of about 4.56 million tons, compared with 5 million in 1975 and about 6.1 million in 1974. Drought conditions in 1976 resulted in a crop of small-size potatoes unsuitable for industrial use as well as adversely affecting yields and increasing potato wastes to levels well above normal.

The Netherlands, faced with shortages, began importing potatoes in early 1976 from other than traditional sources. Large quantities were imported from the United States, Mexico, and India. Because these potatoes were white fleshed—and the Dutch consumer is accustomed to yellow fleshed—they were used by the french-fries industry. During July and August, it became clear that the Dutch would harvest another small potato crop and, with processors facing a shortage of large-size potatoes, the Dutch resumed importing. This time they focused primarily on the United States as traders felt more secure in dealing with reputable U.S. companies.

Another opportunity for U.S. trade expansion arose when Dutch exporters were unable to supply their traditional markets. A Swiss importing firm, for instance, reportedly concluded a trial contract to ship 3,000 tons of Maine seed potatoes to Egypt in early December 1976. The Egyptian seed potato market could possibly grow to 30,000 tons.

The larger imports, however, did allow the Dutch to keep their potato export trade near the levels of recent years. Consequently, exports from the Netherlands are expected to reach about 1.1 million tons in 1976/77, a slight increase over the past 2 years, but below 1973/74 levels.

Because of the short potato supply, Dutch prices have been high since the beginning of the 1976/77 season, with the average auction price in July 1976 standing at 91 guilders[1] per 100 kilograms, almost triple the price of the same month 2 years earlier. Future prices per 100 kilograms for delivery

[1] **September 1976 average, 2.6065 guilders equal 1 U.S. dollar.**

REQUIREMENTS FOR U.S. POTATO EXPORTERS

Suspension of the EC import duty —zero-duty treatment—has added U.S. potato exports to the Netherlands. The import duty on new potatoes has been suspended from January 1, 1977, to February 28, 1977. Also, the suspension of the import duty of 18 percent ad valorem on ware and seed potatoes has been extended through February 28, 1977.

However, the Netherlands—traditionally an important exporter of potatoes—is free of ring rot and imposes strict phytosanitary requirements. They are:

- The Dutch Health Import Regulations require a phytosanitary certification stating that imported potatoes were field inspected and were free of ring rot at the time of inspection and prior to shipment. This means that U.S. potato exports to the Netherlands are likely to be exseed potatoes.

If the Dutch Plant Protection Service discovers ring rot in a shipment, the whole shipment is refused entry into the country.

- U.S. seed potatoes are not allowed to be imported unless they are treated with acceptable sprout inhibitors, thus discouraging the use of potatoes for seed stock.

The Netherlands require that inhibitors be either IPC, CIPC or a combination of the two chemicals. Maleinehydrazide is not allowed.

- Dutch importers prefer to buy bagged potatoes in 25-kilogram (55.1 U.S. lb). and 50-kilogram (110.2 lb) bags. These are the quantities more familiar to the European trade. The bags should preferably be new and made of jute. The plant protection service is considering a regulation that would require that bags in which potatoes are imported be either destroyed or cleaned after initial use.

For additional information on European phytosanitary requirements contact USDA's Animal and Plant Health Inspection Service, Hyattsville, Md., 20782. Phone: 301-436-8537.

in April 1977 stood at 79 guilders in September 1976, up sharply from the same month's figures in 1975 (33.55 guilders) and 1974 (13.70 guilders).

The rising prices in 1975/76 led to a 7 percent increase in the 1976/77 Dutch potato area to some 160,889 hectares, consisting of 89,328 hectares for ware potatoes and 71,561 for starch potatoes (with seed potatoes included in both totals). This is a sharp contrast to 1975/76 hectarage, which decreased 10 percent because of lower potato prices during the previous 2 years.

Also because of higher prices, waste potatoes were used more than previously by the processing industry. The waste percentage for potatoes grown in sandy soil during 1976 was expected to rise significantly above the levels of a year earlier, owing mostly to drought conditions.

Sandy-soil potatoes normally produce more waste than clay-soil potatoes so the damage was greater in sandy soils and other drought-sensitive areas. Sandy-soil potato waste was projected at 27.3 percent, almost double that of 1975, while waste on clay was placed at 14.1 percent, about a 50 percent increase over the previous year, but near average. Estimates of the 1976 potato production, including wastes, includes 2,248,000 tons of clay-soil potatoes and 312,000 of sandy-soil potatoes. Overall, the yield—including waste—was estimated at 28.5 tons per hectare, against 33.0 tons in 1975 and 39.0 in 1974.

As a consequence of rising prosperity, total and per capita consumption of fresh potatoes have decreased steadily in recent years as consumers turned to more expensive foodstuffs. Rising consumption of potato products has only partly compensated for this downturn. Total consumption of fresh potatoes was expected to decline about 6 percent in 1976/77, dropping from an estimated 850,000 tons in 1975/76 to 800,000 tons. Potato product consumption also was forecast to dip almost 5 percent from an estimated 525,000 tons in 1975/76 to 500,000 tons in 1976/77.

In 1975, the Dutch consumed 63 kilograms of fresh potatoes per person, compared with 98 in 1960. Conversely, per capita consumption of potato products rose from 2 kilograms in 1960 to 18.5 in 1975. However, total potato consumption per capita fell from 100 kilograms in 1960 to 81.5 in 1975.

World Grain Output To Rise, Wheat Trade Decline Seen

An increase in total world grain production plus a buildup in year-end stocks, a decline in wheat trade and a tendency toward a leveling off of wheat and coarse grain prices are the major recent developments in the world grain situation, according to a USDA mid-December 1976 report [1] revising projections made in late October.

The latest estimate predict a 23-million-metric ton upturn in production of wheat, coarse grains, and rice, with almost all of the gain (22.5 million tons) occurring in wheat and coarse grains. The falloff in the projected level of wheat trade reflects the more ample supply situation, while the tendency toward a stabilization of wheat and coarse grain prices contrasts with the rather sharp price decline since mid-summer.

The latest 1976/77 forecast calls for a world production of 1,321 million metric tons of wheat, coarse grains, and rice (milled basis), up from the earlier assessment of 1,298 million. (Coarse grains include corn, barley sorghum, oats, rye, millet, and mixed grains). This is about 100 million tons more than the estimated world output in 1975/76. Wheat output is projected at 403.6 million tons; coarse grains at 683.0 and milled rice at 234.1. Area of wheat, course grains, and rice harvested is placed at 736 million hectares, compared with an estimated 725 million hectares a year earlier, while the yield is projected to increase from 1.68 metric tons per hectare to 1.79.

The projected increase in the 1976 world crop is due primarily to larger-than-expected crops in the USSR, where wheat and coarse grains estimates were up by 5.0 and 3.8 million tons, respectively. The USSR total grain output, including wheat, coarse grains, rice, and miscellaneous grains and pulses, is estimated at more than 220 million tons—and a crop exceeding the 1973/74 record of 222.5 million tons is possible. Of the estimated 220 million-ton total, wheat production is estimated at 95 million tons, coarse grains at 115 million tons, rice at 2.2 million tons, with the remainder being miscellaneous grains and pulses.

Additionally, the U.S. coarse grain estimate for 1976/77 has been raised by 5.5 million tons to a total of 189.4 million tons. Estimates of wheat production in major Southern Hemisphere exporting countries rose by 3.3 million tons while the wheat and coarse grains outlook for both Western and Eastern Europe increased by a total of 4.3 million tons.

The increased world crop outturn points to a larger buildup of stocks, mainly wheat, at the end of 1976/77. The stock buildup is expected to occur in relatively few countries, primarily the United States, the USSR, and in major foreign exporting countries. The aggregate stock level for wheat at the end of the 1976/77 marketing year is expected to increase from the previously estimated 91.0 to nearly 104 million tons, about 65 percent above 1975/76's and second only to the record 109.6 million tons at the end of 1969/70. The estimated coarse grain carryout of 52.3 million tons is about 5 million tons larger than that projected in late October but still relatively low in comparison with earlier years.

The recent tendency of a leveling off in world grain prices appears due to the continuing relatively close balance between supplies and requirements for grain and animal feeding. World market prices for corn and wheat (particularly lower quality wheat) are about equal, with the close price relationship mainly caused by plentiful wheat supplies and a continuing tight world feedstuff situation. In a few cases, importing countries have been shifting from corn to wheat for feeding purposes. Accordingly, world price levels for both wheat and corn are likely to be dominated by feed demand requirements during the balance of the 1976/77 season.

With few exceptions, the 1976/77 season has been a bumper year. Northern Hemisphere harvesting is virtually completed, but in the Southern Hemisphere, wheat it being harvested in many countries while corn and sorghum

Continued on page 12

[1] **"World Grain Situation: 1976/77 Crop and Trade Developments," FG 29-76, December 15, 1976.**

U.S. Poultry Sales Gain In Three Asian Markets

By DAVID R. STROBEL
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LAST YEAR was the best ever for U.S. poultry and egg exports to three key Asian markets—Japan, Singapore, and Hong Kong—as strong demand and competitive U.S. prices lifted sales in the first 10 months 47 percent above those in the same 1975 period.

Over the near term this trade expansion could run up against a few problems, including Japanese efforts to restrain imports and a temporary glut of poultry products in Hong Kong. But the three countries should hold onto their January-October 1976 positions as leading—and rapidly growing—markets for U.S. poultry and egg products. For Japan and Hong Kong, this means being the No. 2 and No. 4 single-country markets for U.S. poultry and egg products, respectively, while Singapore ranks as one of the more promising growth markets, being close to eighth largest already.

Together, the three took $48 million worth of U.S. poultry and egg products during the first 10 months of 1976, compared with $32 million in the same period of 1975. Japan was the leading market, with its $25 million worth of purchases accounting for 52 percent of total U.S. shipments to the three. However, the greatest percentage total-market gain accurred in Hong Kong, with shipments of poultry meat and eggs there almost doubling those in the first 10 months of 1975 in response to brisk demand and a strong competitive position for U.S. shippers.

Of particular market development significance is the growth of the Japanese and Hong Kong markets for turkey meat products. For the first 10 months of 1976, such shipments amounted to $2 million, compared with a little over $1 million for the comparable 1975 period.

Japan. Sparked by sharp gains in poultry meat sales, U.S. exports of poultry and egg products to Japan during January-October 1976 increased 32 percent over those of the comparable 1975 period to reach 25 million. Of this, poultry meat accounted for 45 million pounds valued at $21 million, registering gains of 102 percent and 95 percent, respectively, over the volume and value figures of 1975.

Chicken parts, valued at $16.9 million, continued as in the past to dominate this trade. Of significance is the rapidly rising market for turkey meat items, shipments of which totaled 1.3 million pounds valued at $911,000, compared with 678,000 at 503,000 in January-October 1975.

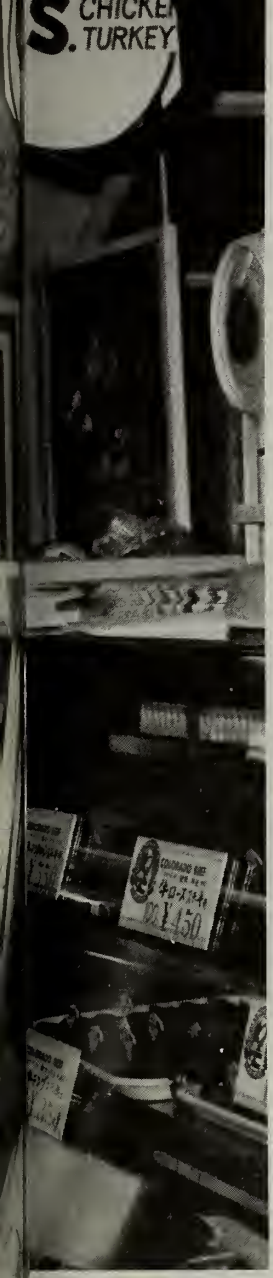
In contrast to these sharp gains for poultry meat, U.S. egg exports to Japan dropped to $1 million during January-October 1976 from $5.3 million the year before. One factor behind this steep decline apparently was the Japanese Government's use of "administrative guidance" to get the Japanese trade to cut back on egg product imports. At the same time, U.S. products encountered stiff competition from subsidized exports from Australia and other suppliers.

Government of Japan officials have also indicated plans to use administrative guidance to keep poultry meat imports at 30,000 tons a year and poultry production at a specified level each year. Such actions could adversely affect both poultry meat and grain imports for poultry feed.

Use of administrative guidance has been justified by the Japanese Government as a means of limiting poultry production to raise the profitability level to producers. However, if carried out, it will mean higher consumer prices on the Japanese market.

Without administrative guidance aimed at reducing imports, Japan will continue to grow as a market for U.S. poultry and egg products.

Hong Kong. U.S. exports of poultry and eggs to Hong Kong during January-October 1976 soared 91 percent over those of the 1975 period to reach $16.8 million. Poultry meat—principally chicken parts—continued to dominate



Left, women purchase U.S. poultry products at a Japanese supermarket promoting U.S. chicken and turkey products. Below, further-processed U.S. turkey products in a Tokyo supermarket. The first 10 months of last year were banner ones for combined U.S. exports of poultry meat and eggs to Japan as well as to Hong Kong and Singapore.

this trade, accounting for $14.4 million of the total. Also shipped were almost 4 million dozen U.S. table eggs, valued at $2.3 million, and 2.3 million pounds of turkey meat, valued at over $1 million; this compares with 1.6 million dozen eggs, valued at $857,000, and 1.4 million pounds of turkey meat, valued at $685,000, for January-October 1975.

The further gain for U.S. quality packaged shell eggs is especially significant since Hong Kong production and availability from the People's Republic of China—the dominant import-market supplier—have been back to normal. The U.S. table egg trade opportunity developed following supply shortages in 1974. Previously, there had been virtually no market in Hong Kong for U.S. eggs. It was believed by many that when traditional supplies were again available there would no longer be a demand for U.S. eggs. However, demand for quality, packaged U.S. eggs continues to grow, with two major U.S. producer-exporters heavily into the market.

The United States also has bettered its share of the market for frozen poultry products during 1976 vis-a-vis the PRC, Denmark, the Netherlands, West Germany, and other suppliers. According to Hong Kong import figures for January-August 1976, the United States now has 22 percent of the whole chicken import market, compared with 10 percent a year ago. At the same time, the PRC's share has fallen to 68 percent from 80 percent, and Denmark's to 3 percent from 8.

Similarly, the United States boosted its share of the important chicken wing market to 74 percent from 65 percent in the first 7 months of 1975, with value of this important export item rising to $5.3 million from $3.5 million. In 1975, the United States lost ground in Hong Kong to the Netherlands and West Germany, whereas in 1976 it picked up the shares lost by these two countries and another 3 percent as well. The EC suppliers—whose exports are subsidized—apparently have shifted their attention from Hong Kong to the rapidly developing markets in the Mideast Persian Gulf.

In October 1976, the Hong Kong market was overloaded with poultry. Heavy ordering of food products followed the PRC earthquake and the death of Mao in anticipation of transportation disruptions. No such problems developed, however, and by October Hong Kong's freezer and refrigerator facilities were literally overflowing.

By early 1977, the glut should be worked off, allowing exports to Hong Kong to resume their upward trend.

Singapore. U.S. exports of poultry meat to Singapore totaled 11 million pounds valued at $5.5 million in January-October 1976, for gains of 12 percent in volume and 24 percent in value over the comparable 1975 period. Small shipments of baby chicks, hatching eggs, and dried eggs brought the total value to $5.8 million, compared with $4.7 million in the 1975 period.

Chicken parts dominated the first-10-month 1976 trade, bringing $4.7 million, but whole broilers also gained considerable ground.

Currently, the United States is enjoying a competitive advantage in this viable market. The Danes and the Dutrh have stopped subsidizing poultry shipments to Singapore, here again concentrating on Mideastern markets. As a result, Danish and Dutch broilers as of late 1976 were quoted at more than 10 cents a pound above the U.S. delivered price. The EC cannot be competitive without a subsidy.

IN ADDITION to buying for its own consumers, Singapore is a major transshipment point for Malaysia, Indonesia, and other points in the region. Singapore's ability to be a food supply depot—of increasing importance to area markets—has been greatly enhanced by a significant gain in new and expanded storage facilities, including freezer storage. Consequently, the potential for sales expansion here is good, and Singapore is receiving accelerated attention from the U.S. trade.

In Singapore, as in the other two markets, consumers are becoming acquainted with a variety of U.S. poultry products through hotel, U.S. Trade Center, and other shows and exhibits cosponsored by FAS and the Poultry and Egg Institute of America (PEIA). Among the recently introduced products are turkey ham, turkey dogs, bologna, salami, and pastrami. These invariably bring the reaction "it can't be turkey because it tastes exactly like the red meat products." The potential for these products among the Moslem and Hindu segments of Singapore's population and the predominant Moslem populations of other countries in the area is unlimited.

Most shipped via Canada

U.S. Dairy Cattle Exports To Spain Seen Increasing

By CLARENCE L. MILLER
Former U.S. Agricultural Attaché
Madrid

U.S. Holsteins being unloaded in Spain, en route to their new home.

EXPORTS OF U.S. dairy cattle to Spain — particularly Holsteins — have been sizable in the past several years, with many of them being transshipped through Canada. And the prospect is that cattle shipments to Spain will continue to be large in the future.

Direct shipments of U.S. Holsteins to Spain totaled 655 head in 1973, fell to zero the following year, but recovered slightly to 109 head in 1975.

Some 960 head of U.S. Holsteins were delivered to Spanish importers in several shipments throughout 1976—517 in the early months of the year and 449 later. The importers say that sizable numbers of the Holsteins imported by Canada in 1976 have also found their way to Spain.

Spain's cattle imports from the United States—and Canada—are all part of its drive to reduce its expenditures of foreign exchange for imports of dairy products.

Spain imported over 380 million pounds of fluid milk in calendar 1975, mostly from France. In addition, it bought sizable quantities of dry skim milk, cheese, and some butter from its European neighbors to help make up for its dairy product shortfall.

But, Spain is in an excellent position to markedly reduce its dairy product imports once it manages to build a large enough base of high-producing dairy cows. There is a goodly amount of irrigated land scattered throughout the country, much of which can be devoted to dairying. It is there that most of the country's fluid milk is produced, and the region's modern dairies are the principal importers of U.S. Holstein cattle.

These areas produce good-quality alfalfa and ensilage, and locally produced feedgrains are readily available. In addition, the country has a growing compound feed industry that produces large volumes of dairy livestock feed.

In addition, Spain already has a thriving, although somewhat fragmented, dairy industry in the northern areas of the country—in Galicia, Asturias, and the region adjacent to the Pyrenes—where sufficient rainfall helps keep the pasture in good condition most of the year. Most of Spain's manufactured milk is produced in this area.

One of Spain's major problems is its balance of payments situation, particularly since it must spend more for its imports of foods and other agricultural and industrial products than it gets for its exports that are mostly agricultural. The Government is making a determined effort to narrow the trade deficit that reached $8.6 billion in 1975, slightly more than in 1974. Some in the Spanish Government believe that the greatest opportunity for improvement lies in the dairy sector, where a herd buildup would permit a sizable cut in dairy imports.

Dairy production is being assisted by two loans from the International Bank for Reconstruction and Development (IBRD). The first loan, $25 million, became effective on January 31, 1970. It introduced major changes in livestock production techniques aimed at increasing the carrying capacity of the land and the productivity of breeding herds. The second loan, $33 million, which would serve to mobilize an additional $116 million within the country (approved late in 1975), includes provisions for the creation of 450 large dairy farms in the north and pasture improvement in 1.2 million hectares of presently unutilized land in Galicia, which can be used for milk and meat production. This dairy industry buildup will probably make necessary sizable imports of cattle, some of which may be of U.S. origin.

The Government is encouraging dairy producers to increase production by offering incentive payments in the form of minimum price guarantees, establishing a system of production credits, and giving subsidies to aid farmers to buy foreign dairy heifers born of cows having above average production records.

The subsidy usually amounts to 30 percent of the cow's purchase price and has been paid for relatively limited numbers of Holstein and Brown Swiss cattle. While the majority of these heifers have come from the Netherlands and France, producer preference of late has been for Holsteins from North America, mainly because of their superior milking qualities.

One of the principal Spanish dairy cattle importers has been buying Holsteins through Canada for a number of years, the total number gradually increasing until in fiscal year 1976 it amounted to 2,500 head—many of them originating on U.S. dairy cattle farms.

In fact, some 30-35 percent of Spain's imported cattle have come from herds in New York, Pennsylvania, Wisconsin, and Illinois. One of the most recent known purchase of cattle for Spain was the 449 head sold by Illinois Product International groups in Bloomington, Illinois, and shipped through a Canadian port.

Hostein-Friesian Services—the organization that serves as the sales arm of the Holstein-Friesian Association of America—has been the traditional supplier of U.S. Holstein cattle to Spain, and—although it had not made any exports to that country during the last 2 years—it exported to Spain in 1976 517 head, including two planeloads of top-quality heifers. Also included were a number of young bulls for Spanish artificial insemination centers.

Spanish importers have also bought sizable quantities of U.S. and Canadian frozen semen to upgrade local herds and imported a number of European cattle, but the main interest is in building up local herds by breeding U.S. and Canadian cattle with domestic animals.

The United States has some of the finest cattle export shipping facilities in the world and for the most part Holstein-Friesian Services uses those at the Port of Richmond, Virginia, for its surface shipments and makes air shipments via Harrisburg, Pennsylvania. The sea and air shipments from Canada usually go through Montreal. These Canadian facilities are used for some cattle shipments because of their excellent experience in handling animals.

Many of the Spanish purchases have been made by various local cooperatives that parcel out the cattle in small lots to individual members. Some of the more expensive cattle have been placed in show herds and other with large dairies producing fluid milk for the retail market under their own trade names.

Because of the proximity of Spanish ports to the country's dairy producing regions, U.S. cattle shipments have passed through the seaports of Cadiz (El Puerto de Santa María), Málaga, La Coruña, and Santander directly to nearby owners. The airports of Madrid, Santiago de Compostela, and Málaga have all received air-shipments from the United States and Canada.

The Spanish market will probably continue to be a strong one for American Holsteins—both of U.S. and Canadian origin—because of the Government's determination to bring the country to self-sufficiency in dairy production. It will probably become an even stronger market as more Spanish farmers recognize the superior production capabilities of American Holstein cows, particularly those from the United States.

Large Barley Crops Find Ready Markets

Continued from page 5

the record 1975/76 outturn, reflecting drought conditions early in the growing season.

However, even with the reduced crop, continued strong export demand and attractive export prices could push exports to 1.7 million tons—about 60 percent of this season's production.

U.S. barley production is estimated at 7.7 million tons, up 12 percent from the level estimated earlier but still 600,000 tons short of the 1975 crop total. Early seedings were off slightly, continuing a downward trend in barley area in favor of other crops.

Extremely dry early season weather in major north-central producing States also has contributed to the downturn in production. Domestic demand for malting barley is likely to result in some imports of Canadian malting barley or malt.

However, with relatively strong world demand and attractive export prices, the United States is expected to be a net barley exporter, especially of feed barley.

As of the end of November, the United States had committed almost 1 million tons for 1976/77 shipment, of which Western and Eastern Europe accounted for about 40 percent and 20 percent, respectively, compared with only 400,000 tons at the same time a year earlier.

Barley fed to livestock and poultry in the United States is projected at 3.9 million tons, 5 percent less than in 1975. If the current relatively high prices of feed barley hold, it is likely that feeders may switch to other feedgrains or wheat, resulting in a further drop in domestic consumption compared with the 1975 rate. Such an eventuality could provide additional supplies to meet strong European demand.

Japan, the largest single barley importing country, is expected to import about 1.6 million tons during 1976/77. Canada again is likely to be Japan's main supplier of feed barley, and Australia the major supplier of malting barley and malt.

Recent inroads made in the Japanese barley market by the European Community (EC) are likely to be cut back dramatically because of the EC's lack of suitable barley malt for export.

However, the EC hopes to export about 600,000 tons of barley malt, or about 60 percent of its normal export level. To achieve this reduced level, however, the EC has been forced to increase its export restitutions on barley malt because of competition from Canada and Australia.

Good outturns of barley during 1976 in China, India, Morocco, and Turkey also are contributing to the record world crop.

Harvests of barley in China and India are estimated at 9.9 million tons and 3.2 million tons, respectively—both equal or close to previous record outturns.

Barley output in Morocco is estimated to reach 2.4 million tons—more than 50 percent above the 1975 level and the largest crop since 1968.

Turkey, the largest barley producer in the Middle East, expects a 1976 crop as good or better than its excellent 1975 outturn, leaving about 250,000 tons for export during the current season.

TURKEY SEEN USING MORE COTTON IN 1976/77

In order to sustain good export demand for yarn and cloth while satisfying domestic requirements, cotton consumption in Turkey during 1976/77 is expected to reach a record level of around 1.5 million bales, 13 percent more than the prior record set last season.

The sharp upward trend in domestic use, combined with the tremendous stock reductions of last season, will markedly reduce cotton export availabilities this season.

Cotton exports from Turkey this crop year are estimated at about 725,000 bales, compared with the 1975/76 record of almost 2.2 million bales.

To assure an adequate domestic cotton supply, the Government in September established an export quota of 827,000 bales for the 1976/77 Turkish marketing year (September-August). In addition, the Government has offered farmers relatively high prices for cotton, which strengthened the domestic price and limited the competitiveness of Turkish cotton abroad.

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World Grain: Output Up, Wheat Trade Down

Continued from page 7

harvests will not begin until early 1977.

Latest estimates indicate record grain crops in the United States and Canada. Projections of the U.S. crop have moved upward to 247.8 million tons from 241.3 in October, and this estimate includes 58.4 million tons of wheat and 189.4 million tons of coarse grains. Canada's projected record grain output of 44.4 million tons is comprised of a record 23.5 million tons of wheat and 20.9 million of coarse grains.

Recent reports indicate that the drought in Europe had a smaller impact than expected on grain outturns. Estimates of Western Europe's grain crop increased from 122.0 million tons in October to 123.2 in December, but this is still about 7 million tons under the realtively poor 1975/76 output. Most of the shortfall occurred in coarse grains, projected to increase to 72.7 million tons—a 1 million-ton increase over earlier estimates but still nearly 9 million less than the previous year.

Western Europe's wheat crop improved slightly over October's estimate and is expected to reach 50.5 million tons, about 2 million tons above 1975's but far below the 56.7 million tons in 1974. Eastern Europe, improved by about 3 million tons since the October assessment, is expected to have a final grain output equalling the record 91.4 million tons. The drought-affected Australian wheat crop experienced a turnaround, with a 9.95 million-ton crop predicted for a 13 percent increase over the previous forecast. Argentina's wheat crop is expected to reach a record 12 million tons, a million tons over the October estimate.

Changes in the world production estimates affected the 1976/77 grain trade outlook. Wheat (including flour) projections have been reduced from October's 62.4 million tons to 58.9 (excluding intra-European Community trade), or about a 7 million-ton drop from the 1975/76 (June-July) figures. The larger USSR wheat crop is reflected in a reduction of 1.5 million tons in estimated Soviet wheat imports. The recent wheat purchases by the People's Republic of China of 762,000 tons from Canada and 500,000 tons from Australia had been anticipated, so the PRC's total wheat import estimates of 2.5 million tons remains unchanged. Western Europe's wheat import projections have been lowered 800,000 tons to 6.3 million tons.

Reflecting the decreased demand, adjustments have been on the other side of the trade coin—exports. Estimates of U.S. and Canadian wheat exports are down, from 29.7 million to 26.9 million tons and from 12.5 million to 12 million tons, respectively. However, Australia's wheat export estimates have been raised slightly to a total of 7.8 million tons (from 7.4) and Argentina is expected to export 4.6 million tons of wheat (up from 4.2).

World trade in coarse grains is pointing upward to a record level of 77.9 million tons (excluding intra-EC) for the June-July season. The increase, from an earlier forecast of 77.3 million tons, results from the continued strong demand in Western Europe where estimates of imports have been raised almost a million tons to 36.5 million.

Because of the market pull toward feedgrains, U.S. corn export figures for the October-September year have been raised from 40.6 to 41.9 million tons. This is less than the estimate of 44.6 million tons for July/June exports because of the likelihood of smaller exports in July-September 1977, compared with the same 1976 period. Estimates for July-June coarse grain exports have been unchanged except for the United States, Western Europe, and Brazil. Brazil's projected corn exports during July 1976-June 1977 were lowered 600,000 tons because higher domestic prices relative to world prices made Brazilian corn less attractive to foreign buyers.

A key factor in this season's feedgrain trade is the outcome of Southern Hemisphere feed crops, especially the Argentine, Brazilian, South African, and Australian corn and grain sorghum crops to be harvested in the spring of 1977. Increased area should bring larger crops of Brazilian corn and Australian grain sorghum.

The updated report projected a mixed outlook for the 1977 world crop of wheat and coarse grains. Larger plantings and better autumn conditions have improved winter grain crops in the USSR compared with the previous year, but elsewhere in the Northern Hemisphere, conditions have been mixed and probably no better than a year ago. Soil moisture conditions for spring-planted crops have been better in the USSR, but significant deficiencies have continued in some areas of the United States and Western Europe.

Despite overall favorable conditions, sharply reduced world prices are a big factor in the 1977 outlook. For example, in some areas the continued relative strong prices for competing crops, such as cotton and oilseeds, could lead to less grain plantings. As well, the lower prices to producers, particularly in the exporting countries, could cause a reduced application of fertilizer and other practices that add to input costs.

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